

PERUVIAN
OILS & MINERALS
L I M I T E D

1969
ANNUAL
REPORT

PERUVIAN OILS & MINERALS, LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Directors of your Company submit herewith the audited financial statements for the fiscal year ended December 31st, 1969 together with data regarding the Company's activities during the past year.

In the report of the Company's 1968 activities submitted last year it was stated that: "It is possible that additional financing will be sought with a view to enlarging the scope of the Company's mineral and oil exploration programs". During 1969, negotiations were carried out and a letter of intent was signed by a group who were interested in drilling the Whiterock prospect in the North Sea. This deal did not materialize mainly because of general economic conditions prevailing in December 1969. The financing of Peruvian Oils & Minerals, Limited was contingent on the consummation of a formal agreement covering the cash payment and drilling of the Whiterock prospect. A change in the Company's name is still contemplated and it is expected that suitable financing arrangements will be made when general economic conditions improve.

The drilling program being conducted by the Mobil-Union group on the Santiago River unitized area was suspended during the year.

Homestake Mining has continued in its plan to bring the Madrigal project into production in Peru. Your Company retains a small net profits interest in this operation which is expected to begin production in approximately eighteen months.

Peruvian Oils & Minerals, Limited liquidated its participation in Whiterock (Italia) S.p.A., which holds offshore permits in Italy, for its original cost.

The unitization of the Company's north Pembina wells in Alberta with the adjoining Champlin Petroleum Company wells has resulted in a successfully operating unit with increased production and recoverable reserves. Your Company's 21.96% interest in this unit will increase to 36.85% on October 1, 1971 as per the agreement.

Mitchell and Associates, Limited, consulting petroleum engineers, estimate that the Company's Pembina field recoverable reserves as of January 1, 1970 are as follows:

Pembina Cardium Unit #4	377,100 Bbls.
Champlin Unit (proven)	137,120 Bbls.
Champlin Unit (probable)	<u>300,000 Bbls.</u> <u>437,120 Bbls.</u>
Total	<u>814,220 Bbls.</u>

The Company retained its percentage interest in Antipodes Explorations Limited, which company claims entitlement to a royalty on production to be obtained from the development of the Kudremukh iron ore deposit in India.

Your Company will necessarily curtail exploration activities and expenditures until a plan for further financing can be presented to the shareholders for their consideration.

On behalf of the Board,

J. J. RANKIN,
President.

May 28, 1970.

PERUVIAN OILS & MINERALS, LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet as at

(with comparative figures)

ASSETS

Current:	1969	1968
Cash and funds on deposit	\$ 59,826	\$ 110,639
Accounts receivable and accrued interest	54,697	23,409
Prepaid expenses	2,638	2,406
Total current assets	117,161	136,454
Property and equipment—at cost less accumulated depreciation and depletion (schedule 1)	532,658	494,180
Deferred exploratory and development costs	1,095,208	1,166,233
Other assets:		
Deposits	6,065	6,065
Advances		1
Application for mining claims—Peru	1,274	1,199
Investment in other mining and oil exploration companies—at cost (note 2)	41,483	57,189
Investment in subsidiary company—at cost (note 2)	69,355	62,503
Total other assets	118,177	126,957
	<u>\$1,863,204</u>	<u>\$1,923,824</u>

Auditors' Report

To the Shareholders of
Peruvian Oils & Minerals, Limited:

We have examined the balance sheet of Peruvian Oils & Minerals, Limited as at December 31, 1969 and the statements of operations and deficit, deferred exploratory and development costs and source and application of funds for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PERUVIAN OILS & MINERALS, LIMITED

(Incorporated under the laws of Ontario)

December 31, 1969

at December 31, 1968)

LIABILITIES

Current:	1969	1968
Accounts payable and accrued liabilities	\$ 77,124	\$ 63,579
Shareholders' equity:		
Capital (note 3) —		
Authorized:		
5,000,000 shares par value \$1.00 each		
Issued:		
2,931,671 shares including 470,000 shares issued for property	2,931,671	2,931,671
Less net discount	294,087	294,087
	2,637,584	2,637,584
Deficit	851,504	777,339
	1,786,080	1,860,245
On behalf of the Board:		
J. J. RANKIN, Director.		
R. L. SEGSWORTH, Director.		
(See accompanying notes)		
	<u>\$1,863,204</u>	<u>\$1,923,824</u>

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 17, 1970.

CLARKSON, GORDON & CO.,
Chartered Accountants.

PERUVIAN OILS & MINERALS, LIMITED

Statement of Operations and Deficit

For the Year Ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Income:		
Income from oil and gas production (schedule 2)	\$ 808	\$ 4,774
Interest income and sundry credits	2,359	2,565
Total income	3,167	7,339
General and administrative expenses:		
Remuneration of directors	1,000	1,400
Accounting, office services and rent	21,000	18,300
Legal and audit	2,983	4,552
Transfer agency	8,506	13,627
Publicity	2,661	2,513
Travel	3,252	2,640
Reports to shareholders and meetings	6,727	6,834
Foreign exchange loss	2,998	7,128
Other	3,837	5,825
Total general and administrative expenses	52,964	62,819
Operating loss for year	49,797	55,480
Other charges:		
Exploratory and development costs written off —		
Concessions surrendered — Peru	\$ 104	
Development — Ohio	2,207	
— Joint ventures and other	12,057	
	14,368	
Investment in exploration company written off	10,000	
	24,368	159,302
Loss before extraordinary item	74,165	214,782
Extraordinary item:		
Provision for possible loss on advances		32,979
Net loss for the year	74,165	247,761
Deficit, beginning of year	777,339	529,578
Deficit, end of year	\$ 851,504	\$ 777,339

(See accompanying notes)

PERUVIAN OILS & MINERALS, LIMITED

Statement of Deferred Exploratory and Development Costs

For the Year Ended December 31, 1969
(with comparative figures for the year 1968)

	Balance December 31, 1968	Additions in 1969	Written off in 1969	Balance December 31, 1969
Exploratory and development expenses in Peru:				
Preliminary exploration	\$ 571,196			\$ 571,196
Surface taxes and dues for Government				
Petroleum department services	440,916	\$ 16,931		457,847
Legal and accounting fees	84,235	7,658		91,893
Seismograph, geological, survey and topographical expenses	116,950			116,950
Drilling expenses	52,111			52,111
Boundary survey	20,737			20,737
Foreign exchange and adjustments	(31,193)	(3,183)		(34,376)
Interest earned and sundry credits	(25,249)	(460)		(25,709)
Other development expenses	451,921	8,253		460,174
Receipt of option payments	(216,250)	(107,500)		(323,750)
	1,465,374	(78,301)		1,387,073
Less concessions annulled or surrendered ..	480,628		\$ 104	480,732
	984,746	(78,301)	104	906,341
Exploratory and development expenses in Ohio:				
Total development expenses	72,680	2,207	2,207	72,680
Less accumulated amortization	15,900	7,905		23,805
	56,780	(5,698)	2,207	48,875
Exploratory and development expenses in Alberta:				
Total development expenses	87,390			87,390
Less accumulated amortization	29,714	3,261		32,975
	57,676	(3,261)		54,415
Joint venture and other explorations:				
In Peru	66,915	18,662		85,577
Other countries	116	11,941	12,057	
	67,031	30,603	12,057	85,577
	\$1,166,233	\$ (56,657)	\$ 14,368	\$1,095,208

Note: Consulting fees of \$3,925 paid to directors are included in costs for the year.

(See accompanying notes)

PERUVIAN OILS & MINERALS, LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Source of funds:		
Interest income and sundry credits	\$ 2,359	\$ 2,565
Income from oil and gas production 808		
Add charges against income not involving an outlay of funds —		
Depreciation, depletion and amortization 46,265	47,073	53,865
Option payment on concessions in Peru	107,500	216,250
Deposits recovered on surrender of concessions in Peru		143
Disposal of equipment — Ohio		2,072
Deposits recovered on applications for mining claims in Peru		1,050
Reduction in advance to Whiterock Explorations (Italia) S.p.A.	8,600	
	<u>165,532</u>	<u>275,945</u>
Application of funds:		
General and administrative expenses	52,964	62,819
Exploratory and development costs	63,421	136,250
Purchase of equipment — Ohio	2,021	
— Alberta	70,143	2,530
Advances to subsidiary company	6,852	6,110
Purchase of shares in other exploration companies —		
Mid Northern Explorations Limited		10,000
Antipodes Explorations Limited	2,894	
Advances to other exploration companies —		
Antipodes Explorations Limited		1,500
Whiterock Explorations (Italia) S.p.A.		8,600
Application for mining claims — Peru	75	860
Provision for possible loss on advances		32,979
	<u>198,370</u>	<u>261,648</u>
Increase (decrease) in working capital during the year	(32,838)	14,297
Working capital — beginning of year	72,875	58,578
Working capital — end of year	<u>\$ 40,037</u>	<u>\$ 72,875</u>

(See accompanying notes)

PERUVIAN OILS & MINERALS, LIMITED

Notes to the Financial Statements

December 31, 1969

- The financial statements are expressed in terms of Canadian currency. Assets and liabilities and revenues and expenses in currencies other than Canadian dollars are translated into Canadian funds on the following bases:

Current assets and current liabilities	At the closing rate of exchange prevailing at December 31.
Certain expenditures for oil concessions in Peru	At the exchange rates prevailing on the dates of payment to the Peruvian government.
Expenditures on equipment and deferred exploration and development	At the average rates of exchange for the years in which expenditures were made.
Revenues and expenses	At the average rates of exchange for the year, except that provisions for depreciation, depletion and amortization and exploratory and development costs written off are at the rates prevailing when the relative expenditures were made.

- The investment in subsidiary company, Whiterock Oil and Gas Limited (60% owned) is comprised of:

60 shares at cost	\$ 180
Advances	69,175
	<u>\$ 69,355</u>

The subsidiary company's accounts have not been consolidated with those of the company as the subsidiary company's assets consist entirely of a petroleum production license on two blocks in the British sector of the North Sea in the exploratory stage of development on which the major portion of the above advances has been expended.

The investment in other mining and oil exploration companies is comprised of:

	Number of Shares	Cost
Antipodes Explorations Limited	278,319	\$ 39,325
Silver Resources Corporation	312	2,158
		<u>\$ 41,483</u>

No reliable market quotations are available for the above shares.

- At December 31, 1969 certain officers of the company held options to purchase 150,000 shares of the company's unissued capital, exercisable on or before May 26, 1970 as follows:

49,999 shares at \$1.50 per share
 50,000 shares at \$1.75 per share
 50,001 shares at \$2.00 per share

- Taxable losses carried forward of \$21,500 and unclaimed Canadian development expenses of \$83,000 are available to reduce the amount of income which may be subject to tax in future years. The taxable losses carried forward expire in varying amounts between 1972 and 1974.

PERUVIAN OILS & MINERALS, LIMITED

SCHEDULE 1

Schedule of Property and Equipment

DECEMBER 31, 1969

(with comparative figures at December 31, 1968)

South America (Peru):	1969	1968
Oil concessions —		
Deposits (net of refunds and recoveries)	\$ 49,829	
Shares issued at par for commissions and services relating to investigations and negotiations for oil concessions	70,000	\$ 118,417
Office furniture and fixtures — at cost	3,992	
Less accumulated depreciation	3,991	1
Total property in South America	119,830	118,418
Western Canada (Alberta):		
Oil leases — at cost		
Cash	64,469	
Shares issued at a premium of 25¢ each	500,000	
	564,469	
Less accumulated depletion	342,178	222,291
Machinery and equipment — at cost	211,249	
Less accumulated depreciation	79,093	132,156
Total property in Canada	354,447	72,249
United States (Ohio):		
Oil leases — at cost	66,509	
Less accumulated depletion	25,858	40,651
Machinery and equipment — at cost	29,231	
Less accumulated depreciation	11,501	17,730
Total property in the United States	58,381	18,522
Total property and equipment	\$ 532,658	\$ 494,180

PERUVIAN OILS & MINERALS, LIMITED

SCHEDULE 2

Schedule of Income from Oil and Gas Production

For the Year Ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Sale of crude oil and natural gas	<u>\$ 91,037</u>	<u>\$ 95,450</u>
Production expenses:		
Operating expenses	34,571	29,210
Lease rental expenses	1,398	1,976
Field facility and gas collection expenses	3,785	3,921
Insurance and taxes	4,210	6,478
Depletion of oil leases	22,049	26,811
Amortization of development costs	11,166	13,893
Depreciation of machinery and equipment	13,050	8,387
Total production expenses	<u>90,229</u>	<u>90,676</u>
Income from oil and gas production	<u>\$ 808</u>	<u>\$ 4,774</u>

